

Cardinal McCloskey Community Charter School

**Financial Statements and
Supplementary Information**
Years Ended June 30, 2024 and 2023

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Cardinal McCloskey Community Charter School

Financial Statements and Supplementary Information
Years Ended June 30, 2024 and 2023

Cardinal McCloskey Community Charter School

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Independent Auditor's Report

The Board of Trustees
Cardinal McCloskey Community Charter School
New York, New York

Opinion

We have audited the financial statements of Cardinal McCloskey Community Charter School (the School), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Other Matters

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

BDO USA, P.C.

October 30, 2024

Cardinal McCloskey Community Charter School

Statements of Financial Position

<i>June 30,</i>	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,812,776	\$ 4,157,679
Restricted cash	75,024	75,017
Grants and other receivables	645,251	1,521,451
Due from NYC Department of Education	4,956	85,347
Prepaid expenses and other assets	252,662	42,763
Due from related entities	34,834	46,330
Total Current Assets	6,825,503	5,928,587
Right-of-Use-Asset, Operating Lease, Net	2,708,437	4,003,569
Property and Equipment, Net	936,364	585,305
Security Deposit	162,167	162,167
Total Assets	\$ 10,632,471	\$ 10,679,628
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 490,663	\$ 579,966
Accrued salaries and other payroll-related expenses	465,466	577,126
Operating lease liability, current portion	1,380,734	1,296,365
Due to NYC Department of Education	-	22,292
Total Current Liabilities	2,336,863	2,475,749
Operating Lease Liability, non-current portion	1,464,942	2,845,675
Total Liabilities	3,801,805	5,321,424
Commitments and Contingencies (Notes 2, 3, 5, 7, 8, and 9)		
Net Assets		
Net assets - without donor restrictions	6,830,666	5,358,204
Total Net Assets	6,830,666	5,358,204
Total Liabilities and Net Assets	\$ 10,632,471	\$ 10,679,628

See accompanying notes to financial statements.

Cardinal McCloskey Community Charter School

Statements of Activities

<i>Year ended June 30,</i>	2024	2023
	(Without Donor Restrictions)	
Revenue and Support		
State and local per-pupil operating revenue	\$ 11,171,897	\$ 8,908,627
Government grants and contracts	922,495	1,297,708
Contributions and other income	268,957	227,600
Interest income	-	2,800
Total Revenue and Support	12,363,349	10,436,735
Expenses		
Program services:		
General education	6,925,044	5,215,585
Special education	2,044,539	1,619,454
Total Program Services	8,969,583	6,835,039
Supporting services:		
Management and general	1,918,954	1,401,824
Fundraising	2,350	2,820
Total Supporting Services	1,921,304	1,404,644
Total Expenses	10,890,887	8,239,683
Change in Net Assets	1,472,462	2,197,052
Net Assets, beginning of year	5,358,204	3,161,152
Net Assets, end of year	\$ 6,830,666	\$ 5,358,204

See accompanying notes to financial statements.

Cardinal McCloskey Community Charter School

Statement of Functional Expenses

Year ended June 30, 2024

	No. of Positions	Program Services			Supporting Services			Total
		General Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel service costs:								
Administrative staff personnel	12	\$ 496,999	\$ 66,629	\$ 563,628	\$ 574,414	\$ -	\$ 574,414	\$ 1,138,042
Instructional personnel	58	2,668,508	838,507	3,507,015	-	-	-	3,507,015
Non-instructional personnel	5	-	-	-	101,648	-	101,648	101,648
Total Salaries and Staff	75	3,165,507	905,136	4,070,643	676,062	-	676,062	4,746,705
Fringe benefits and payroll taxes		608,852	175,153	784,005	129,499	-	129,499	913,504
Retirement		24,848	7,148	31,996	5,285	-	5,285	37,281
Legal services		-	-	-	25,476	-	25,476	25,476
Accounting and audit services		-	-	-	82,147	-	82,147	82,147
Other purchases of professional and consulting services		65,977	113,103	179,080	494,948	2,350	497,298	676,378
Occupancy and facility costs		929,168	267,300	1,196,468	197,629	-	197,629	1,394,097
Repairs and maintenance		235,409	67,722	303,131	50,070	-	50,070	353,201
Insurance		40,487	11,647	52,134	8,611	-	8,611	60,745
Utilities		90,348	25,991	116,339	19,216	-	19,216	135,555
Instructional supplies and materials		478,311	118,157	596,468	-	-	-	596,468
Equipment and furnishings		53,282	14,242	67,524	6,588	-	6,588	74,112
Staff development		200,685	57,732	258,417	42,684	-	42,684	301,101
Marketing and recruitment		111,476	28,841	140,317	9,609	-	9,609	149,926
Technology		156,706	45,081	201,787	33,330	-	33,330	235,117
Student services		256,590	61,320	317,910	-	-	-	317,910
Office expense		102,568	29,506	132,074	21,816	-	21,816	153,890
Depreciation and amortization		166,700	47,956	214,656	35,456	-	35,456	250,112
Other		238,130	68,504	306,634	80,528	-	80,528	387,162
Total Expenses		\$ 6,925,044	\$ 2,044,539	\$ 8,969,583	\$ 1,918,954	\$ 2,350	\$ 1,921,304	\$ 10,890,887

See accompanying notes to financial statements.

Cardinal McCloskey Community Charter School

Statement of Functional Expenses

Year ended June 30, 2023

	No. of Positions	Program Services			Supporting Services			Total
		General Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel service costs:								
Administrative staff personnel	13	\$ 463,344	\$ 66,192	\$ 529,536	\$ 402,186	\$ -	\$ 402,186	\$ 931,722
Instructional personnel	47	1,943,363	693,064	2,636,427	-	-	-	2,636,427
Non-instructional personnel	5	-	-	-	85,562	-	85,562	85,562
Total Salaries and Staff	65	2,406,707	759,256	3,165,963	487,748	-	487,748	3,653,711
Fringe benefits and payroll taxes		479,329	151,216	630,545	80,102	-	80,102	710,647
Retirement		22,401	7,067	29,468	3,743	-	3,743	33,211
Legal services		-	-	-	5,147	-	5,147	5,147
Accounting and audit services		-	-	-	39,339	-	39,339	39,339
Other purchases of professional and consulting services		40,277	10,886	51,163	470,310	2,820	473,130	524,293
Occupancy and facility costs		940,315	296,646	1,236,961	157,137	-	157,137	1,394,098
Repairs and maintenance		264,667	83,496	348,163	44,229	-	44,229	392,392
Insurance		32,692	10,314	43,006	5,463	-	5,463	48,469
Utilities		81,395	25,678	107,073	13,602	-	13,602	120,675
Instructional supplies and materials		253,756	66,996	320,752	-	-	-	320,752
Equipment and furnishings		54,745	15,970	70,715	5,298	-	5,298	76,013
Staff development		56,226	17,738	73,964	9,396	-	9,396	83,360
Marketing and recruitment		82,199	25,932	108,131	13,736	-	13,736	121,867
Technology		103,831	32,756	136,587	17,351	-	17,351	153,938
Student services		172,757	44,746	217,503	-	-	-	217,503
Office expense		79,355	25,034	104,389	13,261	-	13,261	117,650
Depreciation and amortization		127,858	40,336	168,194	21,367	-	21,367	189,561
Other		17,075	5,387	22,462	14,595	-	14,595	37,057
Total Expenses		\$ 5,215,585	\$ 1,619,454	\$ 6,835,039	\$ 1,401,824	\$ 2,820	\$ 1,404,644	\$ 8,239,683

See accompanying notes to financial statements.

Cardinal McCloskey Community Charter School

Statements of Cash Flows

<i>Year ended June 30,</i>	2024	2023
Cash Flows from Operating Activities		
Cash received from operating revenue	\$ 12,982,088	\$ 9,527,993
Other cash received	268,957	230,400
Cash paid to employees and suppliers	(10,994,770)	(7,770,132)
Net Cash Provided by Operating Activities	2,256,275	1,988,261
Cash Flows from Investing Activities		
Purchase of property and equipment	(601,171)	(529,524)
Net Cash Used in Investing Activities	(601,171)	(529,524)
Net Increase in Cash, Cash Equivalents, and Restricted Cash	1,655,104	1,458,737
Cash, Cash Equivalents, and Restricted Cash, beginning of year	4,232,696	2,773,959
Cash, Cash Equivalents, and Restricted Cash, end of year	\$ 5,887,800	\$ 4,232,696
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	\$ 1,472,462	\$ 2,197,052
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	250,112	189,561
Non-cash right of use assets acquired through operating leases	1,295,132	1,259,190
Changes in operating assets and liabilities:		
Grants and other receivables	876,200	(684,860)
Prepaid expenses and other assets	(209,899)	(81,509)
Due from related entities	11,496	6,518
Due from NYC Department of Education	80,391	-
Accounts payable and accrued expenses	(89,303)	180,120
Accrued salaries and other payroll-related expenses	(111,660)	47,145
Principal reduction in operating lease liabilities	(1,296,364)	(1,120,719)
Due to NYC Department of Education	(22,292)	(4,237)
Net Cash Provided by Operating Activities	\$ 2,256,275	\$ 1,988,261
Supplemental Disclosure of Cash Flow Information		
Cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 5,812,776	\$ 4,157,679
Restricted cash	75,024	75,017
Cash, Cash Equivalents, and Restricted Cash, end of year	\$ 5,887,800	\$ 4,232,696
Operating lease assets obtained in exchange for new operating lease liability - upon adoption	\$ -	\$ 5,262,759

See accompanying notes to financial statements.

Cardinal McCloskey Community Charter School

Notes to Financial Statements

1. Nature of the Organization

Cardinal McCloskey Community Charter School (the School) is a New York State, not-for-profit educational corporation that was incorporated on November 8, 2017 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School, led by the Board of Trustees, received a charter from the Charter Schools Institute - State University of New York (SUNY-CSI) to operate a charter school in the State of New York pursuant to certain terms and conditions set forth in its approved charter application and charter agreement dated August 10, 2017. The School's charter agreement shall expire in July 2027 unless earlier terminated or renewed.

The School opened its doors in the fall of 2019 in the Bronx to kindergarten and first-grade students. During fiscal year 2024, the School has expanded to fifth-grade students.

The School, as determined by the Internal Revenue Service (IRS), is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) of the IRC. It is also exempt under a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(ii) of the IRC.

2. Significant Accounting Policies

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

The classification of the School's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets—with donor restrictions and without donor restrictions—be displayed in a statement of financial position and that the amount of the change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Net Assets with Donor Restrictions - These consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature.

Net Assets Without Donor Restrictions - These consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions, and is, therefore, available for general operations.

Cardinal McCloskey Community Charter School

Notes to Financial Statements

Cash and Cash Equivalents

The School considers highly liquid investments with original maturities of 90 days or less to be cash and cash equivalents. The School has not experienced any losses on these accounts. An escrow account in the amount of \$75,024 and \$75,017 was held aside under the provisions of the School's charter to pay for legal and audit expenses that would be associated with a dissolution should it occur, as required by the New York State Department of Education (NYSED), as of June 30, 2024 and 2023, respectively.

Grants and Other Receivables

Grants and other receivables represent unconditional promises by government agencies, donors, and per-pupil receivable from department of education. Grants and other receivables that are expected to be collected within one year and are recorded at net realizable value are \$645,251 and \$1,521,451 at June 30, 2024 and 2023, respectively. The School has determined that no allowance for uncollectible accounts for grants and other receivables is necessary as of June 30, 2024 and 2023. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, and current economic conditions.

Contributions

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions.

Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a measurable barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity, and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the School fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances. At June 30, 2024 and 2023, the School had no conditional contributions.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets as to time or purpose restrictions.

Contributions subject to donor restrictions are recognized in changes in net assets with donor restrictions. When a purpose restriction is satisfied or when a time restriction expires, the contribution is reported as net assets released from restrictions and is recognized in change in net assets in the statements of activities.

Revenue Recognition

Per-Pupil Revenue

The School recognizes revenues from per-pupil funding in the fiscal year in which the academic programs are provided. Per-pupil revenue is billed and received based on the total number of full-time equivalent (FTE) students and the basic charter school tuition rate for the school district of residence of the students attending the School in any given fiscal year for general education and

Cardinal McCloskey Community Charter School

Notes to Financial Statements

special education. The FTE is formula-driven and based on the number of days the student has been with the School as a proportion of the number of days in the entire school year (the calculation is done by using the New York State calculator online). The School's total student population includes general education and special education students. The School has determined that revenue from its students has the same performance obligations, types of contract, and services rendered. As a result, the student body is viewed as one customer base for revenue purposes. The School uses a portfolio approach to account for per-pupil contracts as a collective group rather than recognizing revenue on an individual-contract basis. The School believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

Per-pupil invoicing is managed on a bi-monthly basis to the funding source (local school district). Billing is a function of student enrollment for the upcoming fiscal year, which is the basis for the first two invoices per-pupil due June 1st and July 31st, which is a projection. Subsequent invoices are due bi-monthly. With the implementation of an automated-invoicing process through a dedicated website, the submission of each invoice is done online. After the year is complete, the School submits the FTE per-pupil reconciliation, listing every student who attended any part of the year, and the FTE each represents. Based on this final count, it calculates how much should have been paid to the School and included in the reconciliation will be any amounts due from the funding source included in grants and other receivables on the statements of financial position at year-end, or any amounts payable to the funding source included as a liability on the statements of financial position at year-end, as amounts are trued up to actual based on actual numbers submitted at year-end.

Additional funding is also provided to support special education services. All students who are identified to need special education services or settings have an Individualized Education Program (IEP), formalized for his or her unique needs. Based on this IEP, the student is categorized into one of three levels of service: 0-20% service, 20-60% service, or 60% or more service required and provided by the School. For a student receiving less than 20% in services, no additional funding is received. For a student receiving services between 20% and 60% and 60% or more services of the school day, additional funding per FTE is received. Billing for this support is incorporated into the per-pupil invoices and is also settled in the same FTE per-pupil reconciliation process.

As the students receive the benefit of these services simultaneously as the School is providing them, the School recognizes per-pupil revenue from these services over time. The School believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to students receiving academic or school services. The School measures the performance obligation from admission or enrollment into the School to the point when the student is discharged or the end of the school year where it is no longer required to provide services to the student, which is generally at the time of discharge or the completion of the school year. All of these services are bundled and considered a single-performance obligation, and as such, the School accounts for these bundled-performance obligations under state and local per-pupil operating revenue in the statements of activities and recognizes the per-pupil revenue over time under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (ASC 606).

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Notes to Financial Statements

Revenue with customers is comprised of the following:

<i>June 30,</i>	2024	2023
State and local per-pupil operating revenue	\$ 11,171,897	\$ 8,908,627
Total Revenue Subject to ASC 606	11,171,897	8,908,627
Total Revenue Not Subject to ASC 606 ⁽¹⁾	1,191,452	1,528,108
Total Revenue and Support	\$ 12,363,349	\$ 10,436,735

⁽¹⁾ Other revenues not subject to ASC 606 include government grants and contracts, contributions and other income, and contributed non-financial assets.

Receivables from per-pupil contracts are as follows:

<i>June 30,</i>	2024	2023
Beginning of year	\$ 85,347	\$ 137,317
End of year	4,956	85,347

Government Grants and Contracts

Government grants and contracts are nonexchange transactions in which no commensurate value is exchanged. Accordingly, contribution accounting is applied under FASB ASC Topic 958, *Not-for-Profit Entities*. Government grants and other contracts are evaluated for contributions that are conditional. Factors including the existence of a conditional contribution include the presence of a barrier that must be overcome and either a right of return of assets transferred or a right of release of a funder's obligation to transfer the assets. Government grants and contracts are recognized when the conditions are satisfied, which is generally when the expenditures for each contract are incurred. Government grants and contracts received in excess of revenue earned are recorded as refundable advances.

Revenue from federal, state, and local government grants and contracts is recognized by the School when qualifying expenditures are incurred and billable to the government, or when required services have been provided.

Contract Assets and Contract Liabilities

In accordance with ASC 606, contract assets are to be recognized when an entity has the right to receive consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. The School does not recognize contract assets, as the right to receive consideration is unconditional in accordance with the passage of time criteria. Also, in accordance with ASC 606, contract liabilities are to be recognized when an entity is obligated to transfer goods or services for which consideration has already been received. The School does not receive consideration prior to the transfer of goods or services and, therefore, does not recognize contract liabilities.

Cardinal McCloskey Community Charter School

Notes to Financial Statements

Contributions of Nonfinancial Assets

The School may receive contributed services that are an integral part of its operations. Such services are only recorded as contributions of nonfinancial assets, at their fair value, provided the services received create or enhance nonfinancial assets, require specified skills provided by individuals possessing those skills, and typically need to be purchased, if not provided by donation.

Property and Equipment

Property and equipment are stated at cost and are depreciated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful life of the asset or the lease term. The School has established a \$5,000 threshold above which assets are evaluated to be capitalized. Property and equipment acquired with certain government contract funds is recorded as an expense pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized, based on the established threshold. Depreciation is provided on the straight-line method over the estimated useful lives as follows:

Asset Category	Useful Life (Years)
Furniture and fixtures	7
Computer equipment	3
Software	3
Leasehold improvements	Lesser of useful life of asset or lease term

Impairment

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2024 and 2023.

Advertising

The School expenses advertising costs as incurred. The School incurred \$149,926 and \$121,867 of advertising costs for the years ended June 30, 2024 and 2023, respectively, which is included in the accompanying statements of functional expenses under marketing and recruitment.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis and by natural classification in the accompanying statements of activities. Accordingly, certain costs have been allocated among the respective programs and activities according to the functional categories, as follows:

Program Services - This category represents expenses related to general education and special education for certain students requiring additional attention and guidance. These costs are allocated based on the FTE allocation method.

Cardinal McCloskey Community Charter School

Notes to Financial Statements

Supporting Services - This category represents expenses related to the overall administration and operation of the School that are not specific to any program services or development. These costs are allocated based on the FTE allocation method.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The School is exempt from federal, state, and local income taxes under Section 501(c)(3) of the IRC and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the IRS not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the years ended June 30, 2024 and 2023.

Under GAAP, an organization must recognize the tax benefit associate with tax positions taken for tax-return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The School does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The School is subject to routine audits by a taxing authority. As of June 30, 2024, the School was not subject to any examination by a taxing authority.

Credit Losses

The School recognizes credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the year-end. Such amounts are based on the credit losses expected to arise over the life of the asset (contractual term), which includes consideration of prepayments and is based on the expectation as of the financial position date.

Assets are written off when the School determines that such financial assets are deemed uncollectible or based on regulatory requirements, whichever is earlier. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off are included in determining the necessary reserve at the financial position date.

The School pools its accounts receivable based on similar risk characteristics in estimating expected credit losses. In situations where certain accounts receivable do not share same risk characteristics with other receivables, the School measures the expected credit losses for those receivables individually. The School also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

The School determines its estimated credit losses for accounts receivable using a loss-rate approach in determining its lifetime expected credit losses on its receivables from customers. This method is used for calculating an estimate of losses based primarily on the School's historical loss experience. In determining its loss rates, the School evaluates information related to its historical losses, adjusted for current conditions, and further adjusted for the period of time that the School can

Cardinal McCloskey Community Charter School

Notes to Financial Statements

reasonably forecast. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all of the following: the customers' creditworthiness, changes in policy and procedures, existence, and effect of any concentration of credit and changes in level of such considerations, and the current and forecasted direction of the economic and operation environment.

Recently Adopted Accounting Pronouncements

Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans, and certain other instruments, entities will be required to use new forward-looking "expected-loss" model that generally will result in earlier recognition of credit losses than under today's incurred-loss model. ASU 2016-13 is effective for annual periods beginning after December 15, 2022. The School adopted the ASU effective July 1, 2023, and the adoption did not have a material impact on the financial statements.

Reclassification

Certain amounts in the 2023 financial statements were classified to conform with the 2024 presentation. These reclassifications had no effect on the School's financial position or change in net assets.

3. Liquidity and Availability of Resources

The School maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The School's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

<i>June 30,</i>	2024	2023
Cash and cash equivalents	\$ 5,812,776	\$ 4,157,679
Restricted cash	75,024	75,017
Grants and other receivables	645,251	1,521,451
Due from related entities	34,834	46,330
Due from NYC Department of Education	4,956	85,347
Total Financial Assets Available Within One Year	6,572,841	5,885,824
Less amounts unavailable for general expenditures within one year due to:		
Restricted by contract	(75,024)	(75,017)
Total Financial Assets Available to Management for General Expenditures Within One Year	\$ 6,497,817	\$ 5,810,807

Cardinal McCloskey Community Charter School

Notes to Financial Statements

4. Property and Equipment

Property and equipment consist of the following:

<i>June 30,</i>	2024	2023
Furniture and fixtures	\$ 515,926	\$ 320,453
Computer equipment	919,871	534,368
Software	6,500	6,500
Leasehold improvements	186,009	165,814
	1,628,306	1,027,135
Less: accumulated depreciation	(691,942)	(441,830)
Property and Equipment, Net	\$ 936,364	\$ 585,305

Depreciation and amortization expense for the years ended June 30, 2024 and 2023 was \$250,112 and \$189,561, respectively.

5. Operating Lease

The School has adopted the provisions of ASC 842, *Leases*. For leases with initial terms of greater than one year (or initially, greater than one year remaining under the lease at the date of the adoption of ASC 842), the School records the related right-of-use assets and liabilities at the present value of the remaining lease payments to be paid over the life of the related lease. Lease payments related to periods subject to renewal options are excluded from the amounts used to determine the present value of the remaining lease payments unless the School is reasonably certain to exercise the option to extend the lease. The leases require monthly payments of principal and interest at a rate of 2.88%. The present value of the lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which a discount rate is not readily available, the School has elected to use the risk-free rate plus a reasonable premium comparative for entities of similar risk. The School has made an accounting policy election not to separate lease components from non-lease components in contracts when determining its lease payments for all of its asset classes, as permitted by ASC 842. As such, the School accounts for the applicable non-lease components together with the related lease components when determining the right-of-use assets and liabilities. The School has made an accounting policy election not to record leases with an initial term of less than one year as right-of-use assets and liabilities in the statements of financial position.

In April 2018, the School entered into a lease agreement with Aquinas High School, Dominican Convent of Our Lady of the Rosary for leasing the premises at 685 East 182nd Street, Bronx, New York 10457. Effective July 2019, the School amended the lease agreement through July 31, 2021. As part of the lease agreement, the School was required to pay a security deposit of \$89,668.

In September 2021, the School entered into a lease agreement with Dominican Convent of Our Lady of the Rosary for leasing the premises at 685 East 182nd Street, Bronx, New York 10457 effective September 1, 2021 and expiring on June 30, 2026. As part of the new lease agreement, the School was required to pay an additional security deposit of \$72,499 for the total amount of \$162,167, which is included in the accompanying statements of financial position under security deposit. The

Cardinal McCloskey Community Charter School

Notes to Financial Statements

lease is deemed to be an operating lease based on the underlying terms of the agreement and the criteria included in ASC 842.

The following tables summarize information related to the lease assets and liabilities:

<i>Year ended June 30,</i>	2024	2023
Lease Costs		
Operating lease cost:		
Amortization of right-of-use assets	\$ 1,295,132	\$ 1,259,190
Interest on lease liabilities	98,965	134,908
Total Lease Cost	\$ 1,394,097	\$ 1,394,098

<i>Year ended June 30,</i>	2024	2023
Right-of-use assets and liabilities:		
Operating lease right-of-use assets, net of amortization	\$ 2,708,437	\$ 4,003,569
Operating lease liabilities	2,845,676	4,142,040

<i>Year ended June 30,</i>	2024	2023
Weighted-average remaining lease term - operating leases	2.00 years	3.00 years
Weighted-average discount rate - operating leases	2.88%	2.88%

For operating leases, right-of-use assets are recorded in right-of-use asset, operating lease, net and lease liabilities are recorded in operating lease liability in the accompanying statements of financial position. The lease amortization expense and interest expense are recorded as a component of occupancy and facility costs within statements of functional expense.

The following is a schedule of future minimum lease payments, including interest, under the term of the leases, together with the present value of the net minimum lease payments, as of June 30, 2024:

<i>Year ending June 30,</i>	
2025	\$ 1,441,100
2026	1,484,333
Total Minimum Lease Payments	2,925,433
Less: imputed interest	(79,757)
Present Value of Net Minimum Lease Payments	\$ 2,845,676

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Notes to Financial Statements

6. Grants and Other Receivables

Grants and other receivables consist of federal and state entitlements and grants, as well as unconditional promises to give by donors. The School expects to collect these receivables within one year. Grants and other receivables consist of the following:

<i>June 30,</i>	2024	2023
Title I	\$ 293,782	\$ 188,360
ESSER	287,294	994,693
Title II	27,096	21,612
Title IV	14,884	10,054
Title III	14,743	-
Other	7,452	6,994
CSP	-	299,738
	\$ 645,251	\$ 1,521,451

7. Pension Plan

The School has adopted the Cardinal McCloskey Community Charter School 403(b) Plan (the Plan) which is qualified under IRC Section 403(b) for benefit of its eligible employees. The Plan is a defined contribution plan. There are no eligibility requirements for employees to enroll in the Plan. Employees are eligible to receive employer safe harbor contributions once they have completed six consecutive months of service. The Plan calls for the School to match 100% of an eligible employee's contribution up to 3%, plus 50% of an eligible employee's contribution between 3% and 5% of their fiscal year salary. Employees are also eligible for discretionary employer contributions. The vesting period for the Plan is based on a vesting table in which it takes two years to be partially vested and six years to be fully vested. Pension expense amounted to \$37,281 and \$33,211 for the years ended June 30, 2024 and 2023, respectively, and is included in retirement in the statements of functional expenses.

8. Risk Management

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks. The School also intends to defend its positions on these matters. As of June 30, 2024, there are no matters for which the School believes the ultimate outcome would have a material adverse effect on the School's financial position.

The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund. The School is of the opinion that such cost disallowances, if any, will not have a material effect in the School's financial statements and will record them in the fiscal year they become known.

Cardinal McCloskey Community Charter School

Notes to Financial Statements

9. Concentration Risks

Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash accounts.

The School received approximately 90% and 85% of its total revenue from per-pupil funding from the NYC Department of Education during the years ended June 30, 2024 and 2023, respectively.

The School's grants and other receivables consist of two major grantors accounting for approximately 87% at June 30, 2024. The School's grants and other receivables consist of one major grantor accounting for approximately 94% at June 30, 2023.

The School's payables consist of two major vendors accounting for approximately 61% at June 30, 2024 and two major vendors accounting for approximately 39% at June 30, 2023.

10. Subsequent Events

The School has evaluated events through October 30, 2024, which is the date the financial statements were available to be issued.

Supplementary Information



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
Cardinal McCloskey Community Charter School
New York, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cardinal McCloskey Community Charter School (the School), which comprise the School's statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

October 30, 2024

Cardinal McCloskey Community Charter School

Schedule of Findings and Questioned Costs Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP.

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Section II - Financial Statement Findings

There were no findings related to the financial statements that are required to be reported, in accordance with generally accepted government auditing standards.